



CITY OF SAN ANTONIO

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April 20, 2006

City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the General Review of the Purchasing Card Program and Utilization by Public Works, Parks and Recreation, Aviation and Asset Management Departments

This audit generally reviewed five Departments in varying degrees: Purchasing and General Services, Public Works, Parks and Recreation, Aviation and Asset Management. While these Departments have reviewed this report, it was difficult to summarize their responses. As a result, the Assistant City Manager/Chief Information Officer assumes the responsibility for addressing responses on behalf of Departments and herein is a Corrective Action Plan for the recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Executive Summary (ES)					
ES1	Issue a City-wide Administrative Directive and comprehensive guidelines for P-card Program. (Detailed Report Recommendation 1; Response Page 2)	4			
ES2	Appoint an Executive-level Program Sponsor. (Detailed Report Recommendation 1; Response Page 2)	4			
ES3	Perform effective analyses of P-card transactions to determine if commonly acquired products could be obtained through annual contracts. (Detailed Report Recommendation 8; Response Page 5)	4			
ES4	Develop written procedures for the Program's administrative duties performed within the Purchasing and General Services Department. (Detailed Report Recommendation 10; Response Page 5)	4			

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ES5	<p>User Departments should increase scrutiny of purchases for procedure compliance and discipline cardholders who do not comply. (Detailed Report Recommendation 14; Response Page 6 regarding monitoring for split purchases; Detailed Report Recommendation 6; Response Page 4 for reduction of active cards no longer needed; and Detailed Report Recommendation 7; Response Page 4 for training a backup Site Administrator)</p> <p>Action plan: Each Department will review cards and cardholders bi-annually to reduce the number of inactive cards. Departments will continue to evaluate procurements to ensure split purchases are not done; Purchasing in turn will also review any procurement to ensure no split purchases occur and will forward any documented purchase to the appropriate department head. An appropriate backup p-card administrator will be trained to ensure continuity with the p-card program.</p>	4	Accept	<p>Department Directors</p> <p>OzParker Purchasing Manager</p>	Immediately
ES6	<p>Perform continuous monitoring of transactions through on-line reporting access. (Detailed Report Recommendation 1; Response Page 2)</p> <p>Action plan: Purchasing is already providing the continuous monitoring of all P-card transactions. We will periodically review transaction through the on-line report system.</p>	4	Accept	Terry Collazo P-card Administrator	Immediately
ES7	<p>Report periodically/annually the Program activity to City Manager and City Council. (Detailed Report Recommendation 2; Response Page 2)</p> <p>Action plan: Purchasing will begin reporting on procurement activity, including p-card activity, on a quarterly basis. This report will be furnished to the Council and City Manager.</p>	4	Partially Accept	Michael Armstrong ACM/CIO	Immediately
Detailed Report					
1.	Executive Sponsorship, and Financial and Procurement Policy Directives				
	<ul style="list-style-type: none"> Issue policy guidance for the administration of the Program. 	12	Accept	Janie Cantu Purchasing & Gen Sev. Director	Immediately
	<ul style="list-style-type: none"> Designate an Executive Sponsor who establishes criteria to measure the success of the Program and reports on how the Program has achieved objectives. 	12	Accept	Michael Armstrong ACM/CIO	Immediately
	<p>Action plan: The Purchasing and General Services Department will issue additional policy guidance on the administration of the P-card program.</p> <p>The Assistant City Manager/Chief Information Officer will be the executive sponsor for the program. Reports summarizing the month's P-card purchases will be submitted to the Executive Team and the Assistant City Manager for review.</p>				

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2.	Administration of the Program <ul style="list-style-type: none"> Strengthen controls over cardholder's eligibility by establishing criteria based on the Department needs, individual employee's needs and employee background checks. Obtain City Manager and Chief Financial Officer (CFO) approval for the User's Guide. Obtain CFO approval for all department-specific P-card procedures. Update the User's Guide to accurately reflect current practices and provide a training program for updates. Develop a process to provide Departmental Management with periodic reporting of critical P-card purchasing information. 	14	Accept	Department Directors	Immediately
	Obtain City Manager and Chief Financial Officer (CFO) approval for the User's Guide. Obtain CFO approval for all department-specific P-card procedures.	14	Accept	Janie Cantu Purchasing & Gen Sev. Director	Immediately
	Update the User's Guide to accurately reflect current practices and provide a training program for updates.	14	Accept	Oz Parker, Purchasing Manager	Sept 1, 2006
	Develop a process to provide Departmental Management with periodic reporting of critical P-card purchasing information.	14	Accept	Janie Cantu Purchasing & Gen Sev. Director	Immediately
Action plan: Department Directors through their Site Administrators will establish P-card criteria based on Department requirements. The issue regarding background checks is similar to one being reviewed by the Cash Handling Action Team group. We will work with Human Resources to insure that our process is consistent with cash handling guidelines. Purchasing is in the process of redoing the current User's guide. We will obtain approval of the user's guide not only from the City Manager, but also from the ACM's. This guide will be coordinated with departments before it becomes the official P-card guide. It has been the practice to require mandatory training for all new cardholders, provide them with a user's guide and require a signed agreement by the user. We will also ensure that new changes are incorporated in the guide and passed on to the current users. In addition, The p-card program and the use of the p-card are for normal everyday small dollar purchase. When requested the P-card Administrator will provide critical information when requested by Directors or Site Administrators.					
3.	Effectiveness of Oversight and Monitoring <ul style="list-style-type: none"> Strengthen the transaction review process to detect purchases that do not comply with purchasing guidelines. Enhance P-card training by incorporating an overview of relevant laws and the consequences of non-compliance. 	16	Accept	Oz Parker, Purchasing Manager	Immediately
	Enhance P-card training by incorporating an overview of relevant laws and the consequences of non-compliance.	16	Accept	Oz Parker, Purchasing Manager	Immediately
Action plan: Purchasing will continue to maintain oversight by monitoring purchases through the P-card program. Training is already conducted by the Legal Department and Purchasing Division on relevant laws applicable to procurement. We will continue to include training for all Site Administrators on the purchasing guidelines and assist them in their review of department. We will incorporate into the User guide and training presentations purchasing guidelines and consequences on non-compliance.					

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4.	Responsibility and Accountability Define specific review objectives; develop check lists to provide directions for review; and require management's participation in the P-card review. Action plan: Currently every P-card purchase is reviewed by each department's P-card Site Administrator and by the Department Director. After departmental review, P-card purchase documents are forwarded to the Purchasing Department where they are checked and verified by the P-card Program Administrator. We will also develop a checklist for all Site Administrators to assist them in monitoring their p-card purchases.	17	Accept	Department Directors	Immediately
5.	Review of Purchases <ul style="list-style-type: none"> Document reviews and approvals by: Department Site Administrators, Division Managers, P-card Administrator and Purchasing Manager. The Purchasing Manager should review the monthly reconciliation of P-Card statements prepared by the P-card Administrator. Action plan: P-card Administrator will ensure all statements and reconciliations have Site Administrator and appropriate Division Manager's signature. Currently, the Purchasing Manager reviews monthly reconciliation statements reports and annotates problems for appropriate corrective action or responses from departments.	18	Partially Accept	Department Directors	May 1, 06
		18	Accept	Oz Parker, Purchasing Manager	Immediately
6.	Infrequent Use of P-cards and Financial Exposure <ul style="list-style-type: none"> Departments participating in the Program should analyze P-cards issued to determine if some could be eliminated. Reclaim cards where use is limited and where needs are not clearly demonstrated. Consider reducing transaction and/or credit limits. Strengthen separation of duties by eliminating P-cards issued to Site Administrators and Division Managers who review P-card transactions. Action plan: Currently we have 426 p-cards issued to employees representing 4% of the total workforce. The number of cards issued has decreased by 34% since the initial rollout. This reduction has occurred as a result of the departmental reviews of the number of cards issued, credit and transaction limits and the dollars spent by the individuals. Furthermore, when P-cards are up for renewal a user list is prepared and forwarded to the respective Department Director for their review. Directors then make their respective changes to credit limits, delete infrequent cardholders, and provide documentation for cancelling individual p-cards. In addition, Site Administrators and Division Managers who have p-cards do not review and nor sign their own envelopes. As a safe guard, we do not make any changes in the limits and restrictions to Site Administrators and Division Managers cards.	20	Accept	Department Directors	Immediately
		20	Accept	Department Directors	Immediately
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7.	P-card Training and P-card Agreement <ul style="list-style-type: none"> • Provide mandatory follow-up training annually to cardholders, and document attendance. • Ensure that Departments train a backup Site Administrator in case of illness, vacation or unforeseen circumstances. • Ensure that transaction and monthly limits are included in the contract signed by employee who is issued a P-card and his (her) supervisor. Action plan: Every card holder will receive follow up training annually and proper documentation will be accomplished. Departments will be advised they submit annually a Site Administrator and alternate Site Administrator during their review of the p-card cardholders. In addition, Department Directors will provide a new list of employee with new monthly limits. Purchasing Manager will ensure these actions are accomplished at the annual review of cardholders by departments.	21	Accept	Oz Parker, Purchasing Manager	Immediately
		21	Accept	Oz Parker, Purchasing Manager	Immediately
		21	Accept	Oz Parker, Purchasing Manager	Immediately
8.	Review of Purchases for Possible Annual Contracts The Purchasing and General Services Department should more effectively analyze expenditures to determine if an annual contract should be sought. Action plan: The P-card administrator is already performing monthly analysis on P-card transactions. This report is forwarded to the Purchasing Manager, Director of Purchasing and General Services, and the Assistant City Manager for their review. P-card reports will be sent to the Central Buyers to ensure those items, which are procured by the department, are considered viable for putting on an annual contract. Purchasing will also continue to add more commodities for city personnel to use via the annual contract process.	23	Partially Accept	Oz Parker, Purchasing Manager	Immediately
9.	P-card Vendor Consider issuing a RFP to determine if competing P-card vendors can provide additional features or value through automated controls. Action plan: An RFP is currently being developed for Banking service; with possible inclusion of p-card program.	24	Accept	Finance Director	Sept 1 2006
10.	Develop Written Procedures for P-card Administration Develop written procedures on how to handle the Program in the absence of the P-card Administrator. Purchasing Management should review and approve them. Action plan: P-card procedures will be developed and an alternate P-card Administrator will be appointed to ensure the P-car program is administered in accordance with purchasing policy, state, and local laws.	25	Accept	Oz Parker, Purchasing Manager	Immediately


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11.	Overrides of Established Controls <ul style="list-style-type: none"> Reduce overrides to a minimum. When overrides are necessary, obtain written approval from the Purchasing Manager and document the circumstances. Department Site Administrators should review declined transactions to identify cards without a credit limit or attempted misuses. Action plan: <p>The issue of declined transactions noted in your report is not necessarily an indicator of misuse or lack of understanding of the program. Analysis of these transactions shows that the majority of these declines were attributed to the City's fiscal year end closeout process. Seventy-five percent of declines occurred during the first month of the fiscal year due to end of year processing. During that time, the Purchasing Department temporarily suspended P-card credit limits. Additionally, some of the declined transactions are based on internal controls implemented by Purchasing. We will continue to monitor overrides, and decline transactions. Overrides will only be authorized by the P-card administrator in conjunction with approval of Purchasing Manager or Director. A listing will be prepared on declined transactions and forwarded to the Department for explanation and possible retraining of the individual cardholder.</p>	26	Accept	Oz Parker, Purchasing Manager	Immediately
		26	Accept	Department Directors	Immediately
12.	Merchant Category Codes <p>Review frequency and dollar amounts of purchases made at vendors with blocked MCCs to determine the effectiveness of blocking controls.</p> Action plan: <p>Some Merchant Category Codes (MCC) were purposely blocked to ensure annual contracts for commodities such as office supplies, postage, janitorial supplies and lumber were used by the departments. Many of the items that have MCC codes blocked do not necessarily fall under the correct MCC code that best describes the purchase. These codes are bank/merchant categories and are not based on standard commodity classifications used by the City to procure goods and services however, we will continue to monitor MCC's.</p>	27	Accept	Terry Collazo P Card Administrator	Immediately
13.	Termination of P-card Accounts <ul style="list-style-type: none"> All City Departments should have an employee termination checklist identifying all items, such as P-card, to be cleared for the terminating employee. Department Site Administrators should notify the Purchasing P-card Administrator of the termination of a cardholder. The P-card Administrator should close accounts immediately upon termination of a cardholder and collect the P-card. Work with Bank of America to make sure there isn't a code vendors can use to override declined transactions. Continue to check for fictitious charges during transaction review and monthly reconciliation. Action plan: <p>To help reduce the risk that a cardholder can continue to charge on their P-card, or have charges made to the card's account after they have ended employment with the city, Purchasing will pursue additional control measures with Human Resources and department Site Administrators.</p> <p>It will still be the responsibility of Site Administrators to communicate with the Program Administrator of their employee when accounts need to be closed due to termination of employment. Site Administrators have the</p>	28	Accept	Department Directors	Immediately
		28	Accept	Department Directors	Immediately
		28	Accept	Terry Collazo, P-Card Administrator	Immediately
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	<p>ability to request the closing of an account in EAGLS and then forwarding a copy of the request with the card attached. This allows the card to be closed immediately. Program Administrator confirms the closing with vendor.</p> <p>The current notification procedure will remain in place and Human Resources will be consulted regarding employee information that is available for verification and confirmation purposes.</p>				
14.	Split Purchases <ul style="list-style-type: none"> Establish reporting and provide guidance to transaction reviewers to identify split purchases. Re-emphasize in training that split purchases will result in serious disciplinary action. The City Manager should establish disciplinary actions for unauthorized P-cards transactions. The Department Director should ensure that disciplinary action follows for the individuals violating City policy and User's Guide. Inform City Manager of all violations in a timely manner. <p>Action plan: P-card purchases will continue to be aggressively monitored by all departments and by management. Those purchases, which may be considered borderline, will continue to be addressed and justified by the Department Directors. Split purchases are not authorized under any circumstances. Confusion may result when multiple purchases from certain stores occur on the same day. This is not necessarily a case of split purchasing but is often the result of poor planning. We will incorporate in the user guide the definition of split purchase and the consequences for knowingly doing a split purchase. This topic will be included in Site Administrator and User training sessions.</p> <p>The availability of appropriate disciplinary measures will be discussed with Human Resources and modifications to existing policies made if warranted.</p>	29	Accept	Oz Parker, Purchasing Manager	Immediately
		29	Partially Accept	Janie Cantu, Purchasing Director	Immediately
		29	Accept	Department Directors	Immediately
15.	Change of Management <p>The Purchasing Department should develop P-card procedures that address Departments in handling reorganizations. Re-assess the Department needs and individual needs for P-cards.</p> <p>Action plan: Once reorganization is determined, Purchasing will submit a list of cardholders to gaining department for their reassessment of the current P-card holders.</p>	30	Accept	Janie Cantu Purchasing & Gen Sev. Director	Immediately
16.	Safety Awards <p>The City Manager should update or retract Administrative Directive 4.69 for employees' safety awards.</p> <p>Action plan: Review Administrative Directive 4.69 with appropriate personnel and modify if necessary to provide more appropriate controls.</p>	31	Partially Accept	Michael Armstrong, Assistant City Manager/CIO	30 days

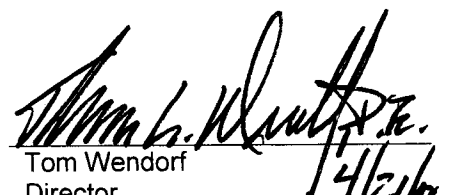
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17.	Work Order Process versus Purchasing Process				
	<ul style="list-style-type: none"> Asset Management should ensure that purchases be approved and signed off on Departments' P-card Logs that are generally used for facility maintenance, in addition to the Work Orders. 	32	Accept	Shawn Eddy Interim Director	Immediately
	<ul style="list-style-type: none"> Asset Management should finalize and approve the draft Asset Management's Facility Services Handbook as the Building Maintenance Division's procedures. 	32	Accept	Shawn Eddy Interim Director	Immediately
	Action plan: All P-Card purchases are now reviewed and signed by each employee's supervisor and the Division's Policies and Procedures were developed and implemented in June 2004.				
18.	Safeguarding of Assets				
	<ul style="list-style-type: none"> Develop City-wide procedures for tracking high-risk items purchased with P-cards. 	33	Partially Accept	Department Directors	Immediately
	<ul style="list-style-type: none"> All City Departments should develop procedures that address the responsibilities of employees and contractors to safeguard assets, regardless of whether or not they are capitalized. 	33	Accept	Department Director	Immediately
	Action plan: The P-card program is designed for low dollar value items, departments will continue to track high pilferable items procured through the p-card program. Departments will coordinate for identity of pilferable items and safeguarding of these items.				

The Departments participating in the review appreciate the City Auditor's comments on the administration of the Purchasing Card Program as they provide insight into ways to improve a beneficial process used Citywide. They are committed to address the recommendations in the audit report and the plan of action presented.

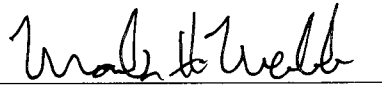
Sincerely,

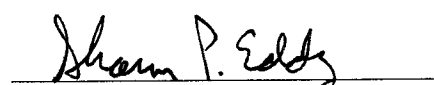

 Michael Armstrong
 Assistant City Manager /
 Chief Information Officer
 (ACM/CIO)


 Janie Cantu
 Director
 Purchasing & Purchasing and
 General Services Department


 Tom Wendorf
 Director
 Public Works Department
 4/2/04


 Malcolm Matthews
 Director
 Parks and Recreation Department


 Mark Webb
 Interim Director
 Aviation Department


 Shawn Eddy
 Interim Director
 Asset Management Department